

# Wisconsin State Legislature

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## **Joint Committee on Finance** *100<sup>TH</sup> ANNIVERSARY 1911 - 2011*

### MEMORANDUM

To: Members  
Joint Committee on Finance

From: Senator Alberta Darling  
Representative Robin Vos

Date: August 29, 2011

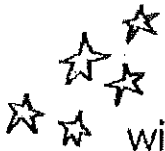
Re: DCF Report to JFC

Attached is a report on cost saving measures in the Wisconsin Shares program from the Department of Children and Families, pursuant to 2011 Wisconsin Act 32, Section 1383.

This report is being provided for your information only. No action by the Committee is required. Please feel free to contact us if you have any questions.

Attachments

AD:RV:jm



wisconsin department of  
**children & families**

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Madison, WI 53708-8916

Governor Scott Walker  
Secretary Eloise Anderson

Secretary's Office

August 11, 2011

Honorable Alberta Darling, Senate Co-Chair  
Joint Committee on Finance  
Room 317 East, State Capitol  
Madison, WI 53702

RECEIVED  
AUG 29 2011

BY: St. Finance

Honorable Robin Vos, Assembly Co-Chair  
Joint Committee on Finance  
Room 309 East, State Capitol  
Madison, WI 53702

Dear Senator Darling and Representative Vos:

The 2011 Wisconsin Act 32, Section 1383, provided authority for the Department of Children and Families to implement cost-savings measures in the Wisconsin Shares program. Subsection (b) included a requirement that the Department submit a report to the joint committee on finance that outlines the Department's plans for cost-savings measures. This report is in compliance with that provision.

The Department currently uses two types of authorizations for child care provided at licensed family child care facilities. These are known as enrollment and attendance based authorizations. With enrollment based authorizations, the Department pays for a slot and reimburses the provider without regard for the child's actual attendance. This is inefficient and can promote fraudulent practices as the child care provider only has to document attendance for a portion of a week in order to receive payment for multiple days when a child was absent.

At this time, the Department intends to implement one cost-savings measure related to how licensed family child care providers are reimbursed. The Department will change the method for authorizing payment for care provided by licensed family providers to attendance based. This change will not reduce the rates paid to the providers nor impact the amounts paid by families. This change will be effective for authorizations issued after August 28, 2011. The Department will notify the affected parents and businesses by letter in the next several weeks.

The proposed cost-savings measure will reimburse providers for hours of care actually provided. To lessen the impact on the provider business community, the Department will retain

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Senator Darling and Representative Vos

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a provision in our current rules that allow a 10% increase in reimbursement to compensate providers for days that children are absent for reasons that are outside the child care provider's control. In addition, the Department will make an exception for children with special needs when their circumstances prevent them from attending regularly or when they require specialized care.

In evaluating the potential cost-savings measure, the Department considered the impact on the program participants and the business community that operates child care facilities. The potential cost-savings measures in Section 1383, included several that would reduce the number of families receiving child care subsidies either by establishing a waiting list or changing the eligibility thresholds. Other provisions would have increased parent costs or reduced the rates paid to providers. The measure chosen by the Department has the least impact on the program participants and the provider business community.

The Department projects the change to attendance based authorizations for licensed family providers will save the Shares program \$3.25 million and \$3.98 million in SFY 12 and SFY 13 respectively. With the cost-savings achieved by the measure outlined above, the Department projects that it can continue to serve all eligible families and cover the costs for increased quality payments under the YoungStar program. The Department will continue to evaluate the need for additional cost-savings measures in the future.

Licensed family child care centers are normally operated in a home setting, involve fewer staff, and have relatively low operating overhead. Certified providers are similarly situated and are currently reimbursed on attendance based authorizations. There will be no change to the way authorizations are processed for group child care facilities.

The Department's other initiative related to more efficiently managing child care funds while reducing fraud, is the development of an automated attendance tracking and billing system. The Department has requested information from potential vendors. The responses are due on August 30, 2011. The Department will evaluate the vendor submissions and initiatives taken in other states to identify the best practices.

Sincerely,

A handwritten signature in black ink, appearing to read "Eloise Anderson", with a stylized flourish at the end.

Eloise Anderson  
Secretary